SECRET
Classification

Department of State

TELEGRAM

PET 6 Libya
XR PET 14 Libya
XR POL 33 Persian Gulf

110 B-38

051158

CATE:
:OLLECT
:HARGE TO

DISTRIBUTION

ACTION: ALL OECD CAPITALS PRIORITY
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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 6/18/81
RDS☐or XDS☐EXT. DATE
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DECLASSIFIED☑ RELEASABLE☑
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051158

State:

Agreement Rejected but Talks Continue

Subject: Libyan Oil/~~Negotiations Suspended~~

1. Agreement reached between Libyan negotiators and 8 oil companies March 24 was rejected by Libyan Revolutionary Command Counsel (RCC) March 25. RCC demanded higher prices and refused to make five year agreement, but did not spell out details.

2. Agreement rejected would have increased posted price (tax reference price) from 2.55 dollars to 3.426 dollars and increased Libyan government revenue about 62 cents

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AF/N - Mr. Suddarth
EUR/RPE - Mr. Shaw

SECRET
Classification

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Department of State

TELEGRAM

ICATE:
COLLECT
CHARGE TO

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ACTION:

per barrel or about 700 million dollars this year. Revenue increases would have been reduced by about 15 cents per barrel if Suez Canal reopened and tanker rates fell to pre-1967 levels. Similar offers were to have been made for crude at Mediterranean terminals exported by pipeline from Saudi Arabia and Iraq.

3. Companies are hoping agreement can still be salvaged, but Libyan intentions are not clear. Price increases much above those already agreed could put strong pressure on Persian Gulf states to revise February Tehran agreement, opening up specter of yet another upward spiral of oil prices with no end in sight. However, talks in Tripoli are scheduled to continue.

4. Action posts may discuss with host officials as appropriate on confidential basis.

5. Posts should not rpt not discuss oil negotiation developments with local oil company reps unless reps already clearly aware of details.

END

DRAFTED BY:	DRAFTING DATE	TEL. EXT.	APPROVED BY:
			ROGERS

CLEARANCES:

FORM DS-322
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